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# Highlights

## INITIATIVES FOR MOVING TOWARDS DIGITAL ECONOMY

- Govt to introduce two new schemes to promote the use of BHIM Digital Payment Application. A Referral Bonus Scheme for Individuals and Cash back scheme for Merchants will be introduced.
- Aadhaar Enabled Payment system to be launched shortly, which will enable individuals to make payment without any Debit Card or Credit Card.
- Banks will target introduction additional 10 lakh POS terminals and 20 lakh Aadhaar based POS by September 2017.
- Under the presumptive income-tax scheme of section 44AD, business income will be calculated @ 6% in respect of turnover of the gross receipt which is received by an account payee cheque/draft/electronic clearing system on or before the due date of submission of income.
- No transaction above Rs.3.00 lakh would be permitted in cash subject to certain exceptions. Persons accepting cash will liable to penalty proceedings.
- Various devices and their components used for Miniaturised POS card reader to be exempt from BCD, Excise/CV duty and SAD, so as to make these devices more affordable.
- Donation under section 80G given by any mode other than cash in excess of Rs.2000 (as against the present ceiling of Rs. 10000) will not be eligible for deduction.
- Cash Expenses allowed upto Rs.10,000 instead of Rs.20,000 as of now.

## Direct Taxes

### Start Ups

- Profit linked deduction will be allowed for 3 years out of 7 year instead of 5 Years
- For Carry forward of losses, minimum 51% Promoters shareholding condition waived in case of start Ups.
- Start Ups to get opportunities in Digitalisation Area

### Corporates

- For companies having Turnover up to Rs.50.00 Crores –Income tax Rate reduced by 5% from 30% to 25%.
- Minimum Alternate Tax (MAT) Credit can be Carry forward up to 15 years instead of 10 years.

- Scope of domestic transfer pricing restricted to only if one of the entities involved in related party transaction enjoys specified profit-linked deductions.

### **Housing Sector**

- Under the scheme for profit-linked income tax deduction for promotion of affordable housing, carpet area instead of built up area of 30 and 60 Sq.mtr. will be counted.
- The 30 Sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 Sq.mtr. will apply
- For builders for whom constructed buildings are stock-in-trade, tax on notional rental income will only apply after one year of the end of the year in which completion certificate is received
- Reduction in the holding period for computing long term capital gains from transfer of immovable property from 3 years to 2 years. Also, the base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property
- For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed
- Affordable Housing will now be given Status of Infrastructure Project
- For long-term capital gain, the base year will be shifted from 1981 to 2001. Fair market value on April 1, 2001 can be adopted as cost of acquisition if an asset is acquired prior to April 1, 2001.

### **Income Tax**

- Existing rate of taxation for individual assesses between income of 2.5 lakhs to 5 lakhs reduced to 5% from the present rate of 10%
- Tax rebate is reduced to Rs.2,500 from Rs.5,000 per year for taxpayers with income up to Rs 3.5 lakh (earlier Rs.5 lakh). Due to the combined effect of change in tax rebate.
- Individual/HUF/AOP/BOI/Artificial Judicial Person having income above Rs. 50 Lakh will be subject to surcharge of 10% of income-tax.

- In case of these taxpayers (as well as other taxpayers) having income above Rs. 1 crore, the current surcharge will continue.
- Business expenditure in cash/bearer cheque/crossed cheque above Rs. 10,000 (as against Rs. 20000) will be disallowed under section 40A (3).
- Loss from let out property exceeding Rs. 2 Lakh will not be deductible from income other than house property income during the current year. However, carry forward will be allowed upto 8 years.
- Money, immovable property or specified movable property worth over Rs. 50,000 received as gift or for inadequate sum to be taxable, will be applicable to all the Assessee.
- To simplify the return-filing process and bring more people in the tax net, the income tax department plans to introduce a one-page form for those with taxable income up to Rs. 5 lakh, excluding business income.
- Those filing returns for the first time won't face any scrutiny in that year unless the department has specific information about them.
- Debt results in a deduction from business profits. However, cap on deductibility has been introduced. Interest payment will be allowed as a deduction only upto 30% of profits or the actual interest paid to related parties, whichever is lower.
- Any recipient failing to quote his PAN will have to pay tax at double the rate mentioned in the relevant Section, or at the rate of 5%, whichever is higher. Looking to strengthen the PAN mechanism.
- Expenses claimed against income from other sources (such as interest, rent) will not be allowed as a deduction if TDS has not been done on such payments.
- Salaried employees, smaller businessmen and professionals paying rent exceeding Rs. 50000 will have to deduct 5% tax at source.
- Delay in filing tax return for 2017-18 will attract penalty of Rs.5000 if filed by Dec 31, 2018 and Rs. 10000 if filed later. Such fee will be restricted to Rs. 1000 for small taxpayers with income up to Rs. 5 lakh.
- Time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return.
- Threshold for maintenance of books for individuals and HUF increased from

turnover of Rs.10.00 lakh to Rs.25.00 lakh or income from Rs.1.2 lakh to Rs.2.5 lakh.

- Time for completion of scrutiny assessments is being compressed further from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter
- Early withdrawal from NPS to the extent of 25% of the corpus to be Tax Free
- Commission payable to individual insurance agents exempt from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit
- Under scheme for presumptive taxation for professionals with receipt upto` Rs.50.00 lakh p.a. advance tax can be paid in one instalment instead of four
- If dividend received is above Rs. 10 Lakh it is taxable in the hands of resident individuals, HUFs and firms. The scope has been widened to cover non-charitable trusts(domestic companies, charitable trusts continue to be out of ambit)
- Citizens above 60 years may get Assured 8% returns on Pension at least for 10 Years
- Farmers to get easier Access to Credit and Insurance
- Holding period for Long Term Capital Gain for immovable properties has been reduced to 2 years from 3 years
- Reinvestment of capital gains in notified redeemable bonds beyond NHAI, REC to qualify for long-term capital gains tax exemption.
- 10% Long term Capital Gain tax on company stocks brought after 1.10.2004 if Securities Transaction Tax (STT) is not paid at the time of Acquisition.
- In the case of joint development agreement, capital gain shall be taxable in the previous year in which completion certificate is issued.

### **GST Implementation**

- With effect from 1.4.2017 government will make all out efforts to outreach to trade and industry to make them aware about the benefits of the indirect tax reforms.

In view of the proposed introduction of GST ,no major changes have been made in Excise,Customs and Service Tax

### **Finance and Banking Sector Reforms**

- Govt. Considering legislative changes to confiscate assets of economic offenders, defaulters
- Amendments in Negotiable Instrument Act to

### RATES OF INCOME TAX (F.Y. 2017-18)

Individual, HUF, AOP, BOI, Artificial Juridical Persons

Net Taxable Income	Effective Rates		
	All other Resident Individual, HUF, AOP, BOI, AJP.	Resident Senior Citizens of the age of 60 to 79	Resident Senior Citizen of the Age of 80 & Above
Up to ₹ 2,50,000	NIL	NIL	NIL
₹ 2,50,001 to ₹ 3,00,000	5.15% on amount in excess of ₹ 2,50,000	NIL	NIL
₹ 3,00,001 to ₹ 5,00,000	₹ 2,575 plus 5.15% on amount in excess of ₹ 3,00,000	5.15% on Income Above ₹ 3,00,000	NIL
₹ 5,00,001 to ₹ 10,00,000	₹ 12,875 plus 20.60% on amount in excess of ₹ 5,00,000	₹ 10,300 plus 20.60% on amount in excess of ₹ 5,00,000	20.60% on amount in excess of ₹ 5,00,000
₹ 10,00,001 to ₹ 50,00,000	₹ 1,15,875 plus 30.90% on amount in excess of ₹ 10,00,000	₹ 1,13,300 plus 30.90% on amount in excess of ₹ 10,00,000	₹ 1,03,000 plus 30.90% on amount in excess of ₹ 10,00,000
₹ 50,00,001 to ₹ 1,00,00,000	₹ 13,51,875 plus 33.99% on amount in excess of ₹ 1,00,00,000	₹ 13,49,300 plus 33.99% on amount in excess of ₹ 1,00,00,000	₹ 13,39,000 plus 33.99% on amount in excess of ₹ 1,00,00,000
Above ₹ 1,00,00,000	₹ 30,51,375 plus 35.535% on amount in excess of ₹ 1,00,00,000	₹ 30,48,800 plus 35.535% on amount in excess of ₹ 1,00,00,000	₹ 30,38,500 plus 35.535% on amount in excess of ₹ 1,00,00,000

Co-operative Societies	Effective Rates
Up to ₹ 10,000	10.30%
₹ 10,001 to ₹ 20,000	₹ 1,030 plus 20.60% on amount in excess of ₹ 10,000
₹ 20,001 to ₹ 1,00,00,000	₹ 3,090 plus 30.90% on amount in excess of ₹ 20,000
Above ₹ 1,00,00,000	₹ 30,86,910 plus 34.608% on amount in excess of ₹ 1,00,00,000

### RATES OF INCOME TAX (F.Y. 2017-18)

Firms, Local Authorities, Companies & LLP	Effective Rates		
	Upto ₹ 1,00,00,000	₹ 1,00,00,001 to ₹ 10,00,00,000	Above ₹ 10,00,00,000
Firm, Local Authorities, LLP	30.90%	34.608%	34.608%
Domestic Company whose turnover in FY 15-16 is below Rs. 50 Crores	25.75%	27.55%	28.84%
Domestic Company qualifying u/s. 115BA	25.75%	27.55%	28.84%
Domestic Company	30.90%	33.063%	34.608%
Foreign Company	41.20%	42.024%	43.26%
Minimum Alternate Tax - Domestic Company	19.06%	20.39%	21.34%

Alternate Minimum Tax	Effective Rates	
	Firm/LLP	Individual / HUF / AOP / BOI
Persons claiming deduction in respect of certain incomes other than u/s/ 80P or u/s. 10AA having adjusted total income less than ₹ 20,00,000	NIL	NIL
Persons claiming deduction in respect of certain incomes other than 80P or u/s. 10AA having adjusted total income more than ₹ 20,00,000 & upto ₹ 1,00,00,000	19.06%	19.06%
Persons claiming deduction in respect of certain incomes other than 80P or u/s. 10AA having adjusted total income more than ₹ 1,00,00,000	21.34%	21.34%

Dividend Distribution tax			
Domestic Companies	17.304% (Grossed up rate 20.925%)		
Tax on Distributed income for buyback of shares	23.072%		
	Equity Oriented Mutual Fund	Debt Fund	Liquid Fund
Dividend to Individual & HUF	NIL	28.84%	28.84%
Dividend to Others	NIL	34.608%	34.608%



**CAPITAL GAIN TAX RATES (F.Y. 2017-18)**

Particulars	Effective Rates		
	Total Income Upto ₹ 50,00,001	Total Income ₹ 50,00,001 to ₹ 1,00,00,000	Total Income Above ₹ 1,00,00,000
<b>Individuals, HUFs and AOPs Firms &amp; LLP</b>			
Long Term Capital Gain			
On Listed Securities, where STT is paid	NIL	NIL	NIL
On Assets other than Listed securities	20.60%	22.66%	23.69%
Short Term Capital Gain			
On Listed securities where STT is paid	15.45%	16.995%	17.767%
On Assets other than Listed securities	As per Slab	As per Slab	As per Slab
<b>Domestic Company</b>			
Long Term Capital Gain			
On Listed Securities, where STT is paid	NIL	NIL	NIL
On Assets other than Listed securities	20.60%	22.042%	23.072%
Short Term Capital Gain			
On Listed securities where STT is paid	15.45%	16.53%	17.304%
On Assets other than Listed securities	25.75%	27.5525%	28.84%
<b>Foreign Company</b>			
Long Term Capital Gain			
On Listed Securities, where STT is paid	NIL	NIL	NIL
On Assets other than Listed securities	20.60%	21.012%	21.63%
Short Term Capital Gain			
On Listed securities where STT is paid	15.45%	15.76%	16.22%
On Assets other than Listed securities	41.20%	42.024%	43.26%

**Note :** 1. Effective rates are worked out considering Basic Rate + Surcharge (Wherever applicable) + Education Cess + Higher Education Cess.

2. In all cases where surcharge is applicable, marginal relief will be available.

## PERSONAL TAXATION

✓ **Taxation of lump sum withdrawals from Recognized Provident Funds, Pension Funds and National Pension Scheme: Section 10(12), 10(12A) and 10(13)**

Any contribution to Recognized Provident Funds, Pension Funds and National Pension Scheme is deductible from Income under Section 80C or 80CCD. Presently lump sum withdrawal from National Pension Scheme is taxable whereas withdrawal from Recognized Provident Funds and Pensions Funds are exempted. In order to bring parity in taxation of all these funds, it is now proposed that in respect of contributions made after 1<sup>st</sup> April, 2016 in all these funds, only 40% of the withdrawal from the accumulated balance out of such contributions shall be exempted from tax, whereas the rest will be taxed as and when withdrawn. While this will benefit the subscribers to the National Pension Scheme, the blanket exemption to subscribers to Recognized Provident Fund and Pension Funds has been withdrawn.

Currently, all withdrawals from a Pension Scheme (the contributions of which are deductible under Section 80CCD) of the Central Government either by the assessee or his nominee are taxable in the year in which any withdrawal is made out of the accumulated balances. As stated above, in case of withdrawal by the Assessee, 40% of such accumulated balance will be taxable. Further, Section 80CCD is being amended to provide that any amount received from such Pension Scheme by the nominee of the Assessee on the death of the Assessee shall be exempted from tax.

*These amendments will take effect from FY 2016-17*

✓ **Maintenance of accounts in case of individuals / HUF engaged in business or non-specified profession: Section 44AA**

Hitherto, individual / HUF engaged in business or non-specified professions were required to maintain books in the following situations:

- 1) Income from such business or profession exceeds Rs. 1.20 lacs, or
- 2) Turnover from such business or profession exceeds Rs. 10 lacs, or

- 3) In cases where presumptive taxation is applicable, the income from such business or profession is lower than the presumptive income under such section.

The limit of income of Rs. 1.20 lacs is now being enhanced to Rs. 2.50 lacs and the limit of turnover is now being increased to Rs. 25 lacs.

*This amendments will take effect from FY 2017-18*

✓ **Increase in limit for deduction for contribution to pension scheme: Section 80CCD**

Hitherto, an individual was eligible for a deduction in respect of contribution of to a notified pension scheme subject a limit of 10% of salary in case of salaried individuals and 10% of gross total income in case of other assesses. This limit is now increased to 20% in both cases.

It may be noted that while earlier the aggregate deduction under this section, Section 80CCC and Section 80C was restricted to Rs. 1.50 lacs. In Budget 2016, a separate limit of Rs. 50,000/- was introduced where the contribution was to a notified pension scheme, which currently is the National Pension Scheme.

*This amendment will take effect from FY 2017-18*

✓ **Reduction in rebate under Section 87A consequent to reduction in tax rate: Section 87A**

Section 87A provided for rebate to individuals, whose total income did not exceed Rs. 5,00,000/-. The rebate was the actual tax payable or Rs. 5,000, whichever was less. In view of reduction of tax rate applicable from 10% to 5% for the first slab of Rs. 2,50,000 to Rs. 3,50,000/-, the rebate provision is also being amended.

The rebate will now be available to individuals whose total income does not exceed Rs. 3,50,000/-. The rebate available will be the actual tax payable or Rs. 2,500/- which is lower.

*This amendment will take effect from FY 2017-18*

## CHARITABLE TRUSTS

### ✓ **Restriction on modes of application of income by Charitable Institutions: Section 10(23C) and Section 11**

Section 10(23C) provides exemption of income to several institutions engaged in various kind of specified charitable activities. Institutions covered by sub-clause (iv), (v) and (vi) i.e. Approved Fund or Institution engaged in charitable purposes, any approved trust or institution engaged wholly for public religious purposes or wholly for public religious and charitable purposes, approved university or educational institutions or approved hospital or institution engaged in medical services. Similarly, Section 11 provides for exemption of income of Charitable Trusts registered under Section 12AA. If such institutions are unable to apply more than 85% of their income of any year towards their objects, they are allowed to accumulate such excess over 15% and are required spend the same in the next five years towards their object, failing which such accumulation is considered as their taxable income.

These sections already provided that donations made by such institutions / trusts to other similar institutions / trusts out of such accumulation would not be considered as an application of income of such accumulated income. However, such institutions were allowed to consider donations to such similar institutions / trusts out of their current year income and consider the same as application of income.

These sections are now proposed to be amended to provide that where such donations are made with a condition that such donation shall be considered as a part of the corpus of such institution / trust, then such donation will not be considered as a valid application of the institution's or trust's income. Normally, donations received as a part of corpus funds are not covered by conditions of application of income prescribed these sections and hence can be accumulated without any restriction on period for which it can be held. Hence, it was possible for one trust / institution to donation a corpus to another trust to another trust / institution, thereby showing application of income and whereas on the other hand, the recipient institute / trust could accumulate such income and not spend the same without any restriction as the receipt was for corpus fund.

*These amendments will take effect from FY 2017-18*

✓ **Changes in conditions for eligibility of a Trust for registration under Section 12A: Section 12A and Section 12AA**

Section 12A lays down the conditions for registration of a charitable trust under Section 12 AA, which thereon entitles a Charitable Trust to claim exemption of income under Sections 11 and 12. It is now proposed to provide as under:

- a) A charitable trust, which is already registered under Section 12AA and post such registration, the trust has modified its objects as a result of which its objects do not conform with to the conditions of its registration, such charitable trust shall apply again for registration within 30 days of such modification of objects.
- b) A Charitable trust shall henceforth be required to file its return of income within the time limits prescribed under Section 139(1) in order to be eligible for registration under Section 12AA.

*These amendments will take effect from FY 2017-18*

✓ **Extension of the power to survey to include charitable places: Section 133A.**

Hitherto, income tax authority has power to survey place at business or profession is carried on. It is now proposed to widen the scope of survey to cover places where charitable activities are carried on. Thus, Income Tax Department shall now have power to carry out survey at premises of Charitable Trusts also.

*This amendment will take effect from FY 2017-18.*

## **CORPORATE TAXATION**

✓ **Extension of period of deduction of profits in case of Startup Companies: Section 80-IAC**

With effect from FY 2016-17, eligible startup companies and limit liability partnerships were eligible for deduction of 100% of their profits in 3 consecutive years out of 5 years beginning from the year in which such

startup is incorporated. The eligible period of 5 years has now been extended to 7 years.

*This amendment will take effect from FY 2017-18*

✓ **Limitation of Interest deduction in case of foreign borrowing from associated enterprise : Section 94B**

Hitherto entire interest expenditure incurred on foreign debt received from associate enterprise by an Indian Company or a Permanent Establishment of a Foreign Company was fully deductible subject to the same being on an arm's length basis. It is now proposed to restrict the deduction of interest on such debt to 30 % of earnings before interest, taxes, depreciation and amortization [EBITDA]. It is further provided that interest which is not allowed shall be carried forward up to subsequent 8 years from the assessment year in which disallowance was first made.

*These amendments will take effect from FY 2017-18.*

✓ **Rationalisation of Provisions relating to tax credit for MAT & AMT: Section 115JAA and Sec. 115JD.**

Hitherto MAT and AMT credit was carried forward for 10 assessment years. Now it is proposed to amend sec. 115JAA to provide that the tax credit can be carried forward for 15 assessment years immediately succeeding the assessment years in which such tax credit becomes allowable.

Further it is proposed that the amount of tax credit in respect of MAT/AMT shall not be allowed to be carried forward to subsequent year to the extent of such credit relates to difference between the amount of foreign tax credit (FTC) allowed against MAT/AMT and FTC allowable against the tax computed under regular provisions of the act.

*This amendment will take effect from FY 2017-18.*

## AMENDMENTS APPLICABLE TO ALL ASSESSEES

- ✓ **Reduction in period of holding for an immovable property to qualify as a Long Term Capital Asset: Section 2(42A)**

Hitherto, capital assets being immovable property in nature of land or building or both, qualified as long term capital asset so as to avail the benefit of indexation and concessional tax rate of 20%, only if such assets were held for more than 36 months from the date of acquisition. This period of holding has now been reduced to 24 months.

*These amendments will take effect from FY 2017-18*

- ✓ **Exemption from Capital Gain in case of conversion of preference shares into equity shares: Section 2(42A), Section 47(xb) and Section 49(2AE)**

Hitherto, whether conversion of Preference Shares issued by a Company into equity shares would amount transfer and thus be taxable under the Capital Gains regimes was a debatable issue. Clarity has now be brought to the matter, by providing that any conversion of a preference share into equity share shall not be considered as a transfer and consequently now capital gains tax shall be attracted. Further, it has also now been provided that at the time of computing capital gains on transfer of such equity shares, the period of holding of the preference shall also be added to the period of holding of such equity shares for the purpose of computing period of holding and indexation. It is also clarified that the cost of acquisition of such equity shares shall be the cost of acquisition of the preference shares, from which such equity shares were converted.

*These amendments will take effect from FY 2017-18*

- ✓ **Clarification in regards to period of holding and cost of acquisition in case of units derived on consolidation of Mutual Fund Schemes: Section 2(42A) and Section 49(2AF)**

Mutual Fund Units acquired on account of consolidation of Mutual Fund Schemes is not regarded as transfer under Section 47(xix) and thus not liable to capital gains tax. However, there were doubts regarding the computation of period of holding of the resultant units and also the cost of acquisition of such units. It is now being provided that for the purpose of

computing the period of holding of such units, the period of holding of the original units prior to consolidation shall also be considered. Similarly, the cost of acquisition of such units shall be the cost of acquisition of the original units.

*These amendments will take effect from FY 2017-18*

✓ **Partial Exemption on partial withdrawal accumulated funds under the National Pension Scheme: Section 10(12B)**

Under Section 10(12A), 40% of the funds accumulated under the National Pension Scheme were exempted at the time of closure of the account or the concerned employee option out of the scheme. However, any partial withdrawal would have resulted into taxation of 100% of such partial withdrawal.

Section 10(12B) is now being introduced to provide that where such partial withdrawal is in accordance with the terms and conditions of the Pension Regulatory Development Authority Act, 2013 and regulations made under such Act, the amount withdrawn shall be exempted subject to a limit of 25% of the total contributions made by such employee. This means that any partial withdrawal to the extent it does not exceed 25% of the total contributions made shall not be liable to tax.

*These provision will take effect from FY 2017-18*

✓ **Reduction in period of holding for an immovable property to qualify as a Long Term Capital Asset: Section 2(42A)**

Hitherto, capital assets being immovable property in nature of land or building or both, qualified as long term capital asset so as to avail the benefit of indexation and concessional tax rate of 20%, only if such assets were held for more than 36 months from the date of acquisition. This period of holding has now been reduced to 24 months.

*These amendments will take effect from FY 2017-18*



✓ **Restriction on exemption granted on long term capital gains on sale of equity shares through Stock Markets: Section 10(38)**

Hitherto, listed equity shares which were held for more than 12 months and sold through recognized stock markets (and on the sale of which securities transaction tax was duly paid) were exempted from any capital gains tax.

It is now proposed to amend the section to restrict the exemption to equity share which are acquired through any of the following modes:

- 1) Such equity shares are acquired before 1<sup>st</sup> April, 2004 i.e. before the current exemption was granted
- 2) In case the equity shares are acquired after 1<sup>st</sup> April, 2004, such equity shares are acquired through a recognized stock exchange and securities transaction tax is duly paid on the same.
- 3) In case the equity shares are acquired after 1<sup>st</sup> April, 2004, they are acquired through a mode, which is notified by the Central Government. It is expected that modes such as acquisition through IPO etc shall be notified by the Central Government.

The basic purpose of the above provision is ensure that the above exemption is not misused for the purpose of converting black money into white by trading in penny stocks.

*These amendments will take effect from FY 2017-18*

✓ **Taxation of unsold real estate inventory in the hands of Real Estate Developers: Section 23**

As per current provisions, any assessee who is the owner of any house property (i.e. a residential or commercial property consisting of any building and land appurtenant thereto, if such property is not utilized for the purpose of the business an assessee or in case of an individual assessee, one such property is not utilized for residential purposes, such property if not let out on rent during the year, will be deemed to have been let out and the annual value of such property shall be subject to tax during the year.

There has been a controversy in recent times whether unsold inventory of residential or commercial house property in the hands of Real Estate Developers can be taxed under this deeming provision. The view was that unsold inventory is not considered as house property under Section 22 and hence cannot be brought to tax.

However, it is now proposed to amend Section 23 in a clarificatory manner so as to provide that the annual value of such inventory for a period of 1 year after the completion certificate for such property is obtained shall be considered as Nil. The implications of the same are as under:

- 1) The provision has been amended in a manner so as to provide situation where the annual value would be considered as Nil. This means that such inventory was always considered as taxable and now the Government is providing a benefit by prescribing a condition in which such property's deemed income shall be considered as Nil. This can have the effect of the Tax Department taking a view in the current financial year as well as earlier years in cases of Real Estate Firms that all unsold inventory where completion certificate was obtained should be taxed on a deemed basis. This will have serious implications on the tax liability of Real Estate Developers.
- 2) At least of FY 2017-18, the situation will be that in case of a Real Estate Project where completion certificate is obtained, any unsold inventory held beyond a period of 1 year from the date of such completion certificate will be taxed on a deemed basis based on its annual value. Normally, the taxable annual value would mean that amount of expected rent on such property during the year.

*These amendments will take effect from FY 2017-18*

✓ **Disallowability of Expenditure incurred, where payment in cash is in excess of Rs. 10,000 : Section 40A, 35AD and 43**

Hitherto, revenue expenditure in respect of which cash payment was made in excess of Rs. 20,000 in a single day was subject to 100% disallowance. This limit of Rs. 20,000 is now curtailed to Rs. 10,000.

Further, payments made for the purpose of capital expenditure were hitherto not covered. It is now proposed that where in respect of a capital expenditure, payments are made in cash in a day in excess of Rs. 10,000/-,

no depreciation can be claimed on such expenditure. Similarly, assessee engaged in specified business claiming deduction for such capital expenditure under Section 35AD, shall not be eligible to claim such expenditure, if payment is made in cash in excess of Rs. 10,000 per day.

*These amendments will take effect from FY 2017-18*

- ✓ **Removal of requirement of Domestic Transfer Pricing Audit for related party payments covered by Section 40A(2)(b): Section 40A(2)(b) and Section 92BA**

Hitherto, an assessee, which had incurred expenditure with Related Parties covered by Section 40A(2)(b) and where the aggregate value of such expenditure exceeded Rs. 20 crores, was subject to Domestic Transfer Pricing Proceedings and also obtain a Transfer Pricing Audit Report.

It is now proposed to removed related party transaction covered by Section 40A(2)(b) from the requirements of Domestic Transfer Pricing Regulations. It is now proposed that domestic transfer pricing provisions shall now be applicable only to Assessee claiming certain profit linked deductions and having related party transactions above Rs. 20 crores.

*These amendments will take effect from FY 2017-18*

- ✓ **Disallowance of unpaid interest on loans from Co-operative Banks: Section 43B**

Hitherto, under Section 43B, interest on any loans or advances from a Schedule Bank was subject disallowance, if such interest was not paid on or before the due date of filing of return of income. Such disallowed interest then allowed in the year in which such interest was actually paid. It is now proposed to cover interest payable to Co-operative Banks (other than primary co-operative agricultural and rural development bank) under these provisions.

*This amendment will take effect from FY 2017-18*

✓ **Clarification in respect of applicability of Tax Audit in case of Assessee's whose turnover is between Rs. 1 crore and Rs. 2 crore and who have opted for presumptive taxation scheme under Section 44AD: Section 44AB**

In the last budget, the limit of turnover for Assessee's who could declare income under the presumptive taxation scheme under Section 44AD was increased to Rs. 2 crores. Normally, Assessee who do opt for presumptive taxation scheme are not required to maintain books of accounts or undergo audit. However, while the limits under Section 44AD was increased, no consequent change was carried out in Section 44AB, which prescribes when an Assessee will be subject to tax audit. Section 44AB continued to provide that all Assessee whose turnover was in excess of Rs. 1 crore would be subject to tax audit. A proviso to Section 44AB is now being inserted to correct anomaly. Accordingly, Assessee's whose turnover is above Rs. 1 crore and below Rs. 2 crore and who opt to declare income under the presumptive taxation scheme of Section 44AD, would not be required to have their books of accounts audited.

*This amendment will take effect from FY 2016-17*

✓ **Reduction in presumptive profit rate in case of Non-Cash Transactions: Section 44AD**

Section 44AD provides a presumptive taxation scheme for Assessee's whose turnover is below Rs. 2 crores. The Section provides that such an Assessee may declare a profit of 8% on his turnover and thereon dispense with the requirement of maintenance of books of accounts or getting his books audited.

In order to encourage transactions through banking channels and digital modes, it is proposed that to the extent receipts in respect of an Assessee's turnover is received through banking modes or digital modes and such realization is during the year or on or before the due date of filing of return of income, the Assessee may declare a profit of 6% on such turnover and 8% on the balance turnover.

*This amendment will take effect from FY 2017-18*

✓ **Relief in case of applicability of Capital Gains on execution of a joint development agreement for transfer of land for development under a real estate project: Section 45**

Hitherto, on execution of a development agreement with a Real Estate Developer, an owner of a land or building was liable to capital gains tax in the year in which such development agreement was executed even where the consideration was not received by the owner or where such consideration was wholly or partly receivable by the owner in kind in the form of a share in the developed property.

It is now proposed to grant relief to cases where the consideration is wholly or partly receivable by the owner in kind in the form of a share in the developed property. It is proposed that in case where the development agreement provides for discharge of sales consideration wholly or partly in the form of a share in the developed property, capital gains will be chargeable to tax in the hands of the developer in the year in which completion certificate for the developed property is received. It is also proposed to be provided that for the purpose of computation of capital gains, the stamp duty value of such owner's share in the developed property plus the consideration received in cash shall be considered as the full consideration received by the owner.

It may be noted that no relief is envisaged where consideration is fully receivable in cash or cheque but payment is envisaged over a period of time. Such transactions will continue to be subject to capital gains tax in the year in which such development agreement is executed.

*This amendment will take effect from FY 2017-18*

✓ **Change in date for computing fair value for capital assets: Section 48 and Section 55**

Hitherto, in case of capital assets acquired before 1/4/1981, for purpose of computation of capital gains on transfer of such assets, the Assessee had an option to substitute his original cost of acquisition with the fair value of such asset as on 1/4/1981. This provision is now proposed to be amended to change the said date to 1/4/2001.

Accordingly, from FY 2017-18, for purpose of computation of capital gains on transfer of any asset acquired before 1/4/2001, the Assessee will have an option to substitute his original cost of acquisition with the fair value of such asset as on 1/4/2001. Accordingly, indexation will also be available on such assets from 1/4/2001.

It is hence also expected that the base for indexation will now be revised to 100 for FY 2001-02 and new indexes for all years will be notified.

*This amendment will take effect from FY 2017-18*

✓ **Deeming provisions for computing consideration in case of transfer of shares of an unlisted company: Section 50CA**

A new Section 50CA is being proposed to be introduced which provides that in case of a transfer of a share of an unlisted company, where the consideration for such transfer is less than the fair market value of such share, for the purpose of computing capital gains, the fair market value of such share shall be taken as the deemed consideration.

It may be noted that under the existing provisions, in the hands of the transferee, in such cases, the difference of the fair market value of shares and the consideration paid is already taxed as Income from Other Sources. It is now proposed to tax the transferor also on the same difference under the head "Capital Gains".

*This provision will take effect from FY 2017-18*

✓ **Expansion of the list of bonds eligible for investment under Section 54EC: Section 54EC**

Hitherto, under Section 54EC bonds issued by the National Highway Authority of India or Rural Electrification Board were considered as investments eligible for claim of deduction under Section 54EC from capital gains on transfer of long term assets. It is now proposed to amend the section to provide that such other bonds as may be notified by the Central Government will also be considered as eligible investments for claim of deduction under Section 54EC.

*This amendment will take effect from FY 2017-18*

✓ **Extension of deemed gift regime to all Assesseees: Section 56(x)**

Hitherto, under Section 56(vii), in case of individuals and HUFs, where gifts in case or kind or any property was received for inadequate consideration in excess of Rs. 50,000 in a year from non-relatives, such gifts or deemed gifts were taxable in the hands of such individual or HUF. Gifts from specific categories of relatives or under specific circumstances were exempted. Further, under Section 56(viia) in case of firms and companies, purchase of shares of an unlisted companies for inadequate consideration was considered as income from other sources to the extent of difference between the consideration and the fair value of such shares.

Both the above sections are now being made inoperative with effect from 31<sup>st</sup> March, 2017 and new section for taxing such gifts and deemed gifts in hands of **all assesseees** is being introduced. The provisions of taxation of such gifts and deemed gifts are similar to those applicable to Individuals and HUFs earlier. However, now all assesseees are covered and thus transfer of property other than equity shares for inadequate consideration, which was not taxable in hands of Firms and Companies also now becomes taxable.

*This provision will take effect from FY 2017-18*

✓ **Disallowance of expenditure deductible from Income from other Sources on which tax is not deducted: Section 58**

Hitherto, under Section 40(a)(i), 40(a)(ia) & 40(a)(iia), for the purpose of computation of taxable business income, an assessee was not allowed to take deduction in respect of which tax was not deducted at source in accordance with the provisions of the Act. However, this requirement did not extend to claim of deduction of expenditure from income which was chargeable to tax under the head "Income from other sources", even where under the Act, such tax ought to be deducted. In order to correct this anomaly, it is now being provided that any claim of an expenditure under Section 58 as a deduction from Income from Other Sources shall be subject to provisions of Section 40(a)(i), 40(a)(ia) and 40(a)(iia).

*This amendment will take effect from FY 2017-18*

✓ **Restriction on amount eligible for set-off of loss under the head “Income from House Property” from current year income: Section 71**

Section 71 provides for set-off of loss under one head of income with income from other head of income. Currently, while deduction of interest paid on loan taken for Self Occupied Property is restricted to Rs. 2 lakhs, there is no such limit for claim of deduction in respect of interest on loan taken for property given on rent. Accordingly, it is possible that in certain cases on account of high interest on rented property there may be a loss under the head “Income from House Property”. Such loss can then be set-off against any other Income. This provision is now proposed to be amended to restrict the amount of such loss which can be set off against income from other heads to Rs. 2 lacs.

It may be noted that there are do not seem to be any express provision which allows carry forward of the loss which could not be set-off on account of this restriction. Hence, it seems that the loss to the extent not set off will lapse in the year in which it is incurred.

*This amendment will take effect from FY 2017-18*

✓ **Carry forward of losses in case of change in shareholding in Startup Companies: Section 79**

Hitherto, Section 79 provided that in case of unlisted Companies, where there was a change of shareholding of more than 50%, the carry forward losses would lapse. The said section is now being amended to provide that in case of startup companies as defined under Section 80IAC for the first seven years since its incorporation, in order for a loss to be eligible for carry forward, **all** shareholders of such company in the year in which such loss was incurred should continue to be shareholders of the Company in the year in which such loss is proposed to be carried forward or set off. However, the condition for maintaining at least 50% shareholding of such shareholders is dispensed with. Thus, if such startups dilute their shareholding in order raise capital, as long as the original shareholders continue, the right of such startup company to carry forward and set off such losses during first 7 years of its existence will not be affected.

*This amendment will take effect from FY 2017-18*



✓ **Restriction on deduction in respect of donations made in cash: Section 80G**

Hitherto, donations in cash were eligible for deduction under Section 80G only to the extent of Rs. 10,000/- i.e. Donations in cash in excess of Rs. 10,000 were not eligible for deduction. This limit is now reduced to Rs. 2,000/-.

*This amendment will take effect from FY 2017-18*

✓ **Changes in scheme for deduction of profits of Real Estate Projects for affordable housing: Section 80-IBA**

The Budget 2016 had introduced a new section 80-IBA, whereby real estate developers engaged in construction of affordable housing were eligible for 100% deduction of profits earned from eligible projects for affordable housing. Projects were eligible for deduction under the said section subject to certain criteria. Some changes / relaxation has been provided for in the said criteria as under:

- a) The time limit for completion of the project has been increased from 3 years to 5 years.
- b) Such projects were not allowed to have more than 3% of the aggregate built-up area for commercial or shopping establishments. The reference to built-up area is now substituted with reference to carpet area, thus effectively increasing the area available for commercial or shopping establishments.
- c) The built up area could not exceed 30 sq mt. in Chennai, Delhi, Kolkatta and Mumbai or within areas falling with 25 kms of the municipal limits of these cities. For other areas, the built up area could not exceed 60 sq mt. The reference to built up area is now substitute with carpet area. Further, the areas outside the municipal limits of Chennai, Delhi, Kolkatta and Mumbai now fall under the category of other areas i.e. the maximum carpet are permitted in such areas will be 60 sq mt.

*These amendments will take effect from FY 2017-18*

✓ **Taxation of Dividend above Rs. 10 lacs extended to all assessees other than domestic companies: Section 115BBDA**

In the Budget 2016, dividend received by individual and HUF or a Firm resident in India in excess of Rs. 10 lacs was made subject to tax @ 10 %. It is now proposed to levy tax on Dividend Income in excess of Rs. 10 lacs a flat rate of 10 % to all resident persons other than domestic company, a fund or institution or trust or any university or other education institution or any hospital or other medical institution or a trust or institution registered under sec. 12AA of the Income Tax Act, 1961.

*These amendments will take effect from FY 2017-18.*

✓ **Taxation of income from transfer of Carbon Credits : Section 115 BBG**

Hitherto, income from carbon credits was considered as a part of business income and was taxable @ 30 %. Further, certain courts had delivered divergent decisions as to whether such receipt was revenue or capital in nature and its taxability. To put rest to this issue and to encourage measure to protect the environment, it is now proposed to insert new provision to levy tax at a flat rate of 10 % (plus applicable surcharge and cess) on the gross amount of such income without allowing any expenditure in respect of this income.

*This amendment will take effect from FY 2017-18.*

✓ **“Reasons to believe or reasons to suspect” not to be disclosed : Sec. 132 / 132A**

Certain judicial pronouncements have created ambiguity in respect of disclosure of **“Reasons to believe or reasons to suspect”** recorded by the tax department to conduct search. To overrule such ambiguity, it is now proposed to provide that reasons to believe or reasons to suspect shall not be disclosed to any persons, authority or the appellate tribunal.

*This amendment will take effect retrospectively i.e. from 01.04.1962 in case of Sec. 132 and 01.10.1975 in case of Sec. 132A.*

✓ **Rationalization of time limits for assessment / Re-assessment and Filing of Revised Return of Income : Sections 139/ 143/147/153**

Hitherto a person can furnish a revised return within one year from the end of the relevant assessment year. In order to expedite assessment proceeding, it is now proposed to curtail time limit for furnishing revised return to end of the assessment year itself, thus reducing the time limit by 1 year against the existing time limit.

Presently, time limit for completion of assessment u/s 143/144/147/148 is 21 months from the end of the relevant assessment year. Now, it is now proposed to curtail the time limit from 21 months to 18 months for assessments of AY 2018-19 and to 12 months for assessment of AY 2019-20 and onwards. Consequential amendments are also proposed in case of search & Seizure proceedings conducted in the FY 2018-19 and FY 2019-20, where the time limit for completion of assessments is now reduced from 21 months to 18 months for assessments of AY 2018-19 and from 18 months to 12 months for assessments of AY 2019-20 and onwards.

*This amendment will take effect from FY 2017-18.*

✓ **Fees for delayed filing return of income, Self-assessment tax u/s 140A to include fees u/s 234F : Section 234F / 140A**

In order to ensure that the returns are filed within due date, it is proposed to insert a new Section 234F, which provides for levy of fees of Rs. 5,000/- if return of income is filed after due date but before 31<sup>st</sup> December and Rs. 10,000/- for returns filed between 1<sup>st</sup> January and 31<sup>st</sup> March of the relevant assessment year. It is further provided that such levy of fees shall have to be paid along with self-assessment tax u/s 140A. To grant relief to small tax payers having taxable income up to Rs. 5 lacs, such fees shall be restricted to Rs. 1,000/- only.

*This amendment will take effect from FY 2017-18.*

✓ **Rationalization of provisions of IDS, 2016: Section 197 of the Finance Act, 2016 & Section 153A and Section 153C of the Income Tax Act.**

While introducing IDS, 2016, by Section 197 of the Finance Act 2016, it was provided that any income or assets found during the course of search and the source of which is not explained would be considered as the income of the year in which such assets are detected, irrespective of the year of income or acquisition of assets. To mitigate the hardship of the tax payer, it is now proposed to omit this provision.

*This amendment will take effect from 1<sup>st</sup> June, 2016*

To protect the interest of the revenue, it is now proposed to amend Section 153A and Section 153C to give powers to issue notice beyond 6 years but up to 10<sup>th</sup> years, if Department is having evidence that the income escaping assessment is likely to exceed Rs. 50 lacs or more in one year or in aggregate of four assessment years falling beyond the 6 years.

*This amendment will take effect from FY 2017-18.*

✓ **Relief to claim foreign tax credit in case of disputes : Sec. 155(14A)**

Hitherto, credit of disputed foreign tax paid was not granted by the AO. To mitigate this hardship, it is now proposed to give powers to the AO to rectify the assessment order or intimation, if assessee submit evidences of settlement of disputes within a period of six months.

✓ **Enabling filing of Form 15G / 15H for non deduction of tax from Insurance Commission : Sec. 194D**

Hitherto, TDS is required to be deducted @ 5 % on Insurance Commission beyond threshold limit. Now, it is proposed that individual/ HUF can also furnish self- declaration in Form 15G/H for non-deduction of tax at source in respect to insurance commission.

*This amendment will take effect from 1<sup>st</sup> June, 2017*

✓ **Extension of benefits for payment of advance tax in one installment to Profession opting for presumptive taxation scheme: Sec. 211/ 234C**

Hitherto, Advance tax can be paid in one installment in case of assessee who have declared profits or gains on presumptive basis u/s 44AD. Now, it is proposed to extend such benefits to professionals who opt to declare income on presumptive basis u/s 44ADA.

*This amendment will take effect from FY 2017-18.*

✓ **Grant of Interest on excess payment of TDS due to deductor : Sec. 244(1B)**

Presently, there is no provision for payment of interest on refund of excess payment of TDS due to deductor. Now, it is proposed to grant interest @ 6 % p.a. on refund of excess payment of TDS due to deductor.

*This amendment will take effect from FY 2017-18.*

✓ **Restrictions on Cash transactions to curb black money and to move towards cashless economy : Sec. 269ST / 206C / 271DA**

It is proposed that no person shall receive an amount of Rs. 3,00,000/- or more in cash in aggregate from a person in a day, in respect of a single transaction or in respect of transactions relating to one event or occasion. However, this provision shall not apply to Govt., any banking company, post office saving bank or co-operative bank. It is further proposed to provide levy of penalty of equivalent amount of cash received without good and sufficient reasons in contravention of this provision

*This amendment will take effect from FY 2017-18.*

✓ **Penalty on professionals for furnishing incorrect information in statutory report or certificate: Sec. 271 J**

It is proposed that penalty of Rs. 10,000/- shall be payable by the professionals including chartered accountants for furnishing incorrect information in statutory report or certificate issued under the income tax act, 1961 without reasonable cause.

*This amendment will take effect from FY 2017-18.*

## AMENDMENTS TO PROVISIONS FOR TAX DEDUCTION / COLLECTION AT SOURCE

### ✓ **Widening the scope of TDS in case of payment of Rent : Sec. 194 IB**

Hitherto, individuals or HUF who are liable for tax audit u/s 44AB is required to deduct tax at source on payment of Rent, if it exceeds threshold limits. It is now proposed that all individuals and HUF who are not liable for tax audit, and are making payment of Rent on land and / or building in excess of Rs. 50,000/- p.m. are now required to deduct tax at source @ 5 %. However, as a relief it is provided that such individual / HUF will be required to deduct only once in a previous year. Further, it is also provided that the deductor shall not be required to obtain TAN. He shall furnish information of the deduction based on his PAN.

*This amendment will take effect from 1<sup>st</sup> June, 2017*

### ✓ **Tax Deduction at source in case of consideration received on execution of Joint Development Agreement covered by Section 45(5A): Section 194IC**

A new section 194IC is being introduced to provide for deduction of tax at source @ 10% in case of consideration paid by cash or cheque or any other mode pursuant to execution of a Joint Development Agreement covered by Section 45(5A)

*This amendment will take effect from 1<sup>st</sup> April, 2017*

### ✓ **Relaxation in TDS in case of exempt compensation : Sec. 194LA**

Hitherto, TDS was required to be deducted @ 10 % on compensation or enhanced compensation on account of compulsory acquisition on any immovable property other than agricultural land. Now, it is proposed that no tax shall be deducted at source on compensation received pursuant to compulsory acquisition of land under Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 ( RFCTLARR Act, 2013).

*This amendment will take effect from 1<sup>st</sup> April, 2017*

✓ **Reduction of rate of TDS on payments made to Call Centers: Sec. 194J**

Hitherto, TDS is required to deduct @ 10 % on fees for professional or technical fees w.r.t. all businesses, if it exceeds threshold limit. Now it is proposed to deduct tax at source @ 2% on such payment in case of business of operation of Call Center.

*This amendment will take effect from 1<sup>st</sup> June, 2017*

**TDS Rates for Financial Year 2017-18 (A.Y. 2018-2019)**

Section	PARTICULARS			DUE DATE		Rate applicable (in %)			Invalid PAN No. / No PAN
	Nature of Payment	Criteria for Deduction	Actual Payment/Credit	Credit / Provision for the Entire Month	If the recipient is a Company	If recipient is a Co-op. Society, Firm, LLP	If recipient is an Individual, HUF		
Sec-194A	Interest from Banks, Post Office, Co-op Bank	Payment in excess of Rs. 10,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00	
Sec-194A	Other Interest	Payment in excess of Rs. 5,000 pa	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00	
Sec-194B	Winnings from Lottery or Crossword Puzzle	Payment in excess of Rs. 10,000 p.a	One week from the last day of the month in which deduction is made		NA	NA	30.00	30.00	
Sec-194BB	Winnings from Horse Race	Payment in excess of Rs. 10,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	NA	30.00	30.00	
Sec-194C	Contracts including Sub-contacts and Advertisements	Payment in excess of Rs. 30,000 per contract of Rs. 1,00,000 p.a.	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	2.00	2.00	1.00	20.00	
Sec-194D	Insurance Commission	Payment in excess of Rs. 15,000 p.a.	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	5.00	20.00	
Sec-194H	Commission or Brokerage	Payment in excess of Rs. 15,000 pa.	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	5.00	20.00	



Sec-194J	Professional Charges - Other than Call centre Operations	Payment in excess of Rs. 30,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
	Professional Charges for Operation of Call Centre	Payment in excess of Rs. 30,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	2.00	2.00	2.00	20.00
	Remuneration Paid to Director Other than Salary	NIL	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194I	Rent of Land, Building, Furniture and Fittings	Payment in excess of Rs. 1,80,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00
Sec-194I	Rent of Plant & Machinery	Payment in excess of Rs. 1,80,000 p.a	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	2.00	2.00	2.00	20.00
Sec-194IA	Payment of Transfer of Immovable Property other than agricultural land	Consideration exceeds Rs. 50,00,000	Before registering the documents with the registrar	Within One Month from the end of the month in which deduction is made.	1.00	1.00	1.00	20.00
Sec-194IB	Payment of Rent on land & bldg. by Individual /HUF (not covered by sec.194I)	Payment in excess of Rs. 50,000 p.m.	Actual Payment/Credit	Within One Month from the end of the month in which deduction is made.	5.00	5.00	5.00	20.00
		Any Amount	Actual Payment/Credit	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	NA
Sec-194LA	Payment of Compensation on compulsory acquisition of Immovable Property	Payment in excess of Rs. 2,50,000 p.a.	On the date of deduction	Within One Month from the end of the month in which deduction is made.	10.00	10.00	10.00	20.00

Note : 1) TDS is required to be deducted u/s 194-C in case of payment to transporter, if contractor owns more than 10 goods carriages at any time during the year.

**TDS Rates for Financial Year 2017-18 (A.Y. 2018-2019)**

Section	PARTICULARS		DUE DATE		Rate applicable (in %)			Invalid PAN No. / No PAN
	Nature of Payment	Criteria for Deduction	Actual Payment/Credit	Credit / Provision for the Entire March	If the recipient is a Company	If recipient is a Co-op. Society, Firm, LLP	If recipient is an individual, HUF	
Sec-194LB	Interest on Infrastructure debt fund paid to non-resident individual or to a foreign company	NIL	At the time of making payment or credit which ever is caller	-	5.00	5.00	5.00	20.00
Sec-194LBA	Income distributed by business trust to it's unit holders				-	5.00	5.00	20.00
Sec-194LC	Interest on loan paid to non-resident individual for or to a foreign company approved by Central Government by a specified Company and subscribing long term infrastructure bond	NIL	At the time of making payment or credit which ever is earlier	-	5.00	5.00	5.00	5.00
Sec-194DA	Taxable payment of Life Insurance policy in excess of Rs. 100000.00	-	-			-	1.00	20.00

**TCS Rates for Financial Year 2017-18 (A.Y. 2018-2019)**

Section	Nature of Payment	Individual, HUF, BOI, AOP	Firms a LLP	Co-op. Soc. Local Authority	Company
206C	Scrap	1.00	1.00	1.00	1.00
206C	Tendu leaves	5.00	5.00	5.00	5.00
206C	Timber obtained by any mode and any other forest produce	2.5	2.5	2.5	2.5
206C	Alcoholic liquor for human consumption and Indian made foreign liquor	2.5	2.5	2.5	2.5
206C	Parking lot, tall plaza, mining and quarrying	2.00	2.00	2.00	2.00
206C	Minerals being coal or lignite or iron ore	1.00	1.00	1.00	1.00
206C	Motor Vehicle, Value exceeding 10 Lacs	1.00	1.00	1.00	1.00

Note: In case of invalid or non furnish of PAN no.,the tax shall collected at the higher of twice the rate specified or five percent.

**TDS Rates for Financial Year 2017-18 (A.Y. 2018-2019)**

Section	PARTICULARS Nature of Payment	Criteria for Deduction	DUE DATE		RATES		
			Actual Payment/Credit	Credit / Provision for the Entire March	If the recipient is a Company	If recipient is an individual, Firm, LLP, HUF, or Co-op. Society	Invalid PAN No. / No PAN
Sec-195	Payment to Non Resident				IT	IT	
a	Income from Foreign Exchange Assets payable to an Indian citizen	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	20.00	20.00
b	Income by way of Long Term Capital Gains -115E	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	NA	10.00	20.00
c	Short Term Capital Gain-111A	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	15.00	15.00	20.00

d	Long Term Capital Gains other than 10(33), 10(36) & 10(38)	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
e	Income by way of Interest payable by Government/Indian Concerns on Money borrowed in Foreign Currency	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
f	Royalty agreement before June 1, 1997	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	30.00	30.00	30.00
f	Royalty agreement after May 31, 1997 & before June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
f	Royalty agreement after June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	25.00	25.00	25.00
h	Fees for technical Services before June 1997	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	30.00	30.00	30.00
h	Fees for technical Services May 31, 1997 & before June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00

h	Fees for technical Services after June 1, 2005	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	25.00	25.00	25.00
i	Any other Income if recipient is a Non Resident & Non corporate assessee	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	N/A	30.00	30.00
j	Any other Income if recipient is a Non Domestic Company	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	40.00	N/A	40.00
k	Payment to sportsman/sport Asso. & entertainer	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	20.00	20.00	20.00
l	Income distributor by a burnit holder (sec.194 LBA)	Any Sum Paid	One week from the last day of the month in which deduction is made	Within One Month from the end of the month in which deduction is made.	10.00	10.00	20.00

Note: 1) Rate of deduction in case of non-domestic companies having income more than Rs. 1 Crore will be increased by surcharge @ 2% and 5% having income more than Rs. 10 Crores.

2) Rate of deduction in case of all NRIs including non-domestic companies will be increased by education cess @ 3%